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R.C.A.
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September 11, 2006

Commissioners
Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, AK 99501

Re: R-06-5 Comments

Dear Sirs/Madams:

The proposed amendments to the Public Utilities Regulatory Policies Act of 1978, if implemented, will create a significant financial hardship for Central Electric, Inc.

Central Electric is a very small regulated utility, with most recent annual sales of 409,000 KWH. Currently, Central Electric is marginally profitable. With the population base of Central and electric usage declining, we expect continued downward pressure on profitability. We are carefully monitoring all our controllable expenses. At this time, we are evaluating carefully even the not-insignificant cost to file for a rate increase.

The cost of the proposed amendments to the Public Utilities Regulatory Policies Act of 1978 will be significant for Central Electric. The costs to plan for additional efficiency and alternative fuel sources and to implement net metering and smart metering with demand response pricing will be prohibitively expensive to us. Costs must include not only the equipment and installation, but also the expertise to do so.

Borrowing this money will be a hardship for Central Electric. Current capital improvement needs will stretch Central Electric's fund raising abilities. Central Electric already needs a new generator or generator overhaul and upgrades to various electric lines already in existence.

If Central Electric is not able to afford the costs of implementing these amendments, who will bear the costs? The additional costs of these proposed amendments will have to be funded through rate increases, loans or grants from a state or federal agency.

Suffice it to say that Central Electric is a small, marginally profitable utility without the expertise or financial where-with-all to implement the proposed amendments of R-06-5. It is fiscally irresponsible to adopt such provisions without providing the additional financial resources and technical expertise that it will take to implement them.

Perhaps a state-wide effort to do alternative energy planning and implement net metering and smart metering with state-funded resources is possible. Without such effort, I recommend that these proposed amendments be denied.

Thank you for your time and consideration.

Sincerely,
Central Electric, Inc.

A handwritten signature in black ink, appearing to read "Paul Miller", with a long horizontal flourish extending to the right.

Paul Miller
President